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NATIONAL INTELLIGENCE DAILY CABLE

Monday November 29, 1976

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National Intelligence Daily Cable for Monday, November 29, 1976.

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[REDACTED] The NID Cable is for the purpose of informing senior US officials.

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PALESTINIANS-LEBANON: Policy Statement

[] A sharply worded policy statement issued Saturday in the name of the "Palestinian Command" in Beirut apparently was drafted by militant leaders of the Fatah fedayeen group in an attempt to force Fatah chief Yasir Arafat to endorse more aggressive policies. These leaders have been critical of Arafat's recent attempts to reach accommodation with Syria and his implied willingness to prepare for wider Middle East peace negotiations. 25X1

[] The policy statement included vigorous attacks on Syria and Jordan. It also affirmed the Palestinians' determination to continue their "struggle" against Israel from southern Lebanon, called for "total" Palestinian national independence, and rejected UN Security Council Resolution 242--the basis of Middle East settlement efforts. 25X1

[] Arafat, who was out of the country when the statement was approved, now faces a dilemma. He will not want to disavow the declaration, as it closely parallels the program approved by him and the Palestinian parliament at its last meeting in June, 1974. 25X1

[] He will be reluctant to approve the declaration, however, both because it is a blow to his rapprochement with Syria and because he has carefully backed away from some of the harsher planks of the PLO's official policy line. Despite the need for some tough rhetoric as the Palestinians lost ground in Lebanon, Arafat has sought a more moderate image over the past two years by avoiding intemperate threats to Israel, denunciations of Jordan, and rejections of Resolution 242 or other specifics of peace negotiations. 25X1

[] Arafat has recently visited several Arab capitals, including Damascus. We believe he is trying to shore up his own position and perhaps win at least a general consensus on a revised policy statement to present to the Palestinian parliament within the next month or two. 25X1

[] This effort suffered an important setback--and Arafat's critics were moved to issue their statement--when the newspaper of the Syrian Baath Party suggested last week that the next 25X1

[redacted]

session of the Palestinian parliament should exclude representatives of the fedayeen organizations. The Palestinians also felt threatened by strong suggestions in the Syrian media that Syrian troops in Lebanon plan to collect heavy weapons from the fedayeen and establish military control as far south as Tyre, Nabatiyah, and Marj Uyun.

[redacted] Syrian units of the Arab peacekeeping force have delayed moving into these southern towns, however. We have no reports of Syrian forces south of Az Zahrani.

[redacted] Israel slightly increased its military strength in northern Israel last week, but this buildup apparently has ended. [redacted]

ISRAEL: New Political Groups

[redacted] The recent emergence of two new opposition leaders on the Israeli political scene is symptomatic of rising popular dissatisfaction with both the Rabin government and the equally lackluster and faction-ridden Likud opposition bloc.

[redacted] Yigael Yadin, a highly respected former Israeli chief of staff, announced the establishment of a new political party last week. Ariel Sharon, a controversial and popular general who led the Israeli armored attack across the Suez Canal in the 1973 Arab-Israeli war, recently broke with the conservative Likud to establish his own group.

[redacted] The actions by both men will affect the outcome of the general election next fall. Yadin, a moderate on peace negotiations, poses the greater threat to Prime Minister Rabin's Labor party. He will probably pick up support among splinter groups and independents who favor "dovish" policies on Arab-Israeli issues. He is also likely to make some inroads among long-time supporters of the Labor party who have become disenchanted with the Rabin government but are reluctant to vote for Likud, especially under its present leadership.

[redacted] Despite his personal appeal, Sharon is likely to have a more limited impact on the outcome than the less dynamic Yadin. A political maverick and rigid hard-liner on Arab-Israeli issues, Sharon is likely to draw more votes from Likud than from Labor, but only enough to win a few seats at best.

[] The Labor party has other problems. The small Independent Liberal party, with four Knesset seats, apparently is about to drop out of the governing coalition. 25X1

[] This will leave the Labor Alignment--the ruling coalition's core groups composed of the Labor party and the left-wing Mapam--more dependent on its hard-line coalition partner, the National Religious party, which controls 10 of the government's 63 remaining seats in the 120-member Knesset. 25X1

[] Mapam, for its part, is considering breaking up the Alignment to run an independent slate of candidates next fall, although it apparently would stay in the present government. Mapam leaders have felt frustrated in the minor role assigned their group and are threatening to pull out of the election alliance with Labor unless Rabin and other party leaders support a much more dovish party platform for the election. 25X1

[] Potentially the most serious of Labor's problems are the divisions within the party itself. Rabin faces challenges to his leadership from former foreign minister Abba Eban, a leading dove, and Defense Minister Peres, a hard-liner. 25X1

[] Consequently, Rabin would prefer to see the party adopt a vaguely worded plank on negotiations that would allow him to head an outwardly united Labor party into the fall campaign. He fears--justifiably--that if he bows to Mapam demands former defense minister Moshe Dayan and some other Labor party hawks will bolt the party, leaving Labor even more divided than it is now. 25X1

[] With a hard election fight likely in any event, Rabin and other Labor Party leaders are almost certain to urge the US not to press Israel to engage in serious negotiations with the Arabs until after the election lest they harm Labor's chances of staying in power. 25X1

[] The net effect of the present jockeying is to create increasing doubt about the outcome of next year's balloting. For the first time since independence in 1948, some observers believe the Labor party could lose. 25X1

[redacted] Even if Labor emerges with a plurality again, which still seems likely, it will probably be a reduced one. In that case, negotiations over cabinet positions would, at a minimum, be even more arduous and time-consuming than in the past. The end product could well be an even less flexible Israeli negotiating team than the present one. [redacted]

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USSR-CHINA: Soviet Border Negotiator Returns

[redacted] //Deputy Foreign Minister Ilichev, Moscow's chief negotiator at the long stalemated Sino-Soviet border talks, returned to Peking on Saturday. He had been absent from the talks since May 1975, the longest absence of a chief Soviet negotiator since the talks began in October 1969. Ilichev was greeted by his Chinese counterpart, Vice Foreign Minister Yu Chan.//

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[redacted] Soviet Ambassador Tolstikov told reporters at the airport in Peking that Ilichev's return was a Soviet initiative. Moscow probably views it as another step in its continuing effort to build a public record of Soviet reasonableness in dealing with Mao's successors. The Soviets may also be trying to keep alive the possibility of a Sino-Soviet rapprochement, particularly in the aftermath of Chinese Vice Premier Li Hsien-nien's strongly negative speech on Sino-Soviet relations two weeks ago.

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[redacted] //We doubt that the Chinese have given the USSR any sign of willingness to engage in serious negotiations on the border problem. Chinese propaganda continues to be as hostile as ever toward the Soviets, and the domestic situation in China does not appear to have stabilized enough for the new Chinese leaders to feel able to take on a problem as sensitive as Sino-Soviet relations.//

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[redacted] //About two weeks after the death of Mao, Moscow sent its deputy at the talks, General Gankovsky--who also had been absent from China for a prolonged period--back to Peking; all indications are that he has had only minimal contacts with the Chinese.//

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[redacted] //Ilichev nonetheless may carry some new proposals to present to the Chinese that take into account China's reasons for rejecting the last Soviet offer for a settlement of the

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[REDACTED]

eastern border in 1973. China reportedly declined that offer because it did not cover the disputed islands opposite Khabarovsk or the other disputed portions of the border west of Mongolia, and contained no provision for Soviet troop withdrawals.//

[REDACTED]//The USSR is unlikely to give in on the troop withdrawal issue, but it might offer to compensate the Chinese for Big Ussuri and Tabarov islands and could make an initial offer on the western sector of the border.// [REDACTED]

MEXICO: Situation on Eve of Transfer of Power

[REDACTED] The Echeverria government has moved to avert a possible violent clash between peasants and landowners on the eve of President-elect Lopez Portillo's inauguration this Wednesday. On Friday it persuaded landowners in Sinaloa state to cede about 30,000 acres of farm land to peasants--about one third the area they were demanding.

[REDACTED] The peasants, most of whom belong to government-backed organizations, had threatened to seize over 100,000 acres of private land in Sinaloa. They were encouraged by the government's expropriation on November 19 of some 250,000 acres of privately held land in neighboring Sonora state. This set off a storm of protest in the country's private sector and provoked a one-day work stoppage last week in business, industry, and agriculture in the northern states.

[REDACTED] Although the stoppage had little impact outside northern Mexico, the events in the northwest farm region will complicate Lopez Portillo's efforts to restore confidence in the economy. The expropriated landowners in Sonora have vowed to wage a legal battle to recover their property, but it is doubtful that the Lopez Portillo government could reverse President Echeverria's decision without provoking peasant violence.

[REDACTED] We believe Lopez Portillo nonetheless is likely to promise that no more private lands will be expropriated and that the landowners already affected will be compensated. He has said he favors making agriculture more productive and efficient rather than distributing small plots of land to peasants.

[] We do not know if Lopez Portillo was consulted on the expropriation. Echeverria may have acted on his own, hoping that he would be remembered as a populist president who broke up large estates and distributed them to the peasants. 25X1

[] Lopez Portillo's task will be aided somewhat by a decision last week by the government-backed labor confederation not to press for immediate salary increases. A wage increase would cause more inflationary pressures that in turn would further weaken the peso. 25X1

[] To help re-establish confidence, Lopez Portillo will probably fill key cabinet positions with persons who have the respect of domestic and international business. He is expected to announce his cabinet choices tomorrow. 25X1 25X1

ANGOLA: Cabinet Changes

[] A new government lineup announced yesterday makes it clear that Angolan President Neto will not assume the post of prime minister, contrary to an earlier announcement. 25X1

[] Neto nonetheless retains a firm grip on the levers of power in Angola. He remains chief of state, president of the Popular Movement, and chairman of the Council of the Revolution, the government's highest political body. 25X1

[] The new cabinet is comprised mainly of Neto loyalists, particularly in the most important jobs. Lopo do Nascimento, a longtime Neto supporter, remains prime minister. He will be assisted by three deputy prime ministers, one of whom has not yet been named. The two already appointed--former foreign minister Dos Santos and former economics minister Diloa Rocha--are Neto stalwarts. 25X1

[] The new foreign minister, who is likely to have strong influence over the tone of Angolan foreign policy, is Paulo Jorge, a white. Jorge has long served as Neto's right hand man and has extensive contacts in the third world. 25X1

[] Absent from the new lineup is Nito Alves, the outspoken interior minister and a critic of Neto. Alves probably was dropped because of his effort since the end of the civil war to build a personal power base among black radicals in the military and among the thousands of unemployed black Angolans. The Interior Ministry apparently has been abolished. 25X1

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CIEC: December Ministerial Meeting

[REDACTED] The possibility of a postponement of the scheduled mid-December ministerial session of the Conference on International Economic Cooperation appears to be stronger following consultations this week in Paris. A formal decision to postpone the ministerial--billed as the capstone of a year of intense negotiations between the developed and developing countries--now hinges on negotiations planned for this week in New York.

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[REDACTED] At a press conference Thursday in Paris, Perez Guerrero--the Venezuelan conference co-chairman and spokesman for the developing countries--stated that the developing states did not see any basis for postponement. Although personally disposed toward a delay, Perez Guerrero reportedly has come under increasing pressure from some developing countries to resist it.

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[REDACTED] At the same time, a meeting of the eight developed-country participants this week in Paris recommended to their spokesman, Deputy Prime Minister James Macheachen of Canada, that the session be put off on grounds that preparations are far from complete.

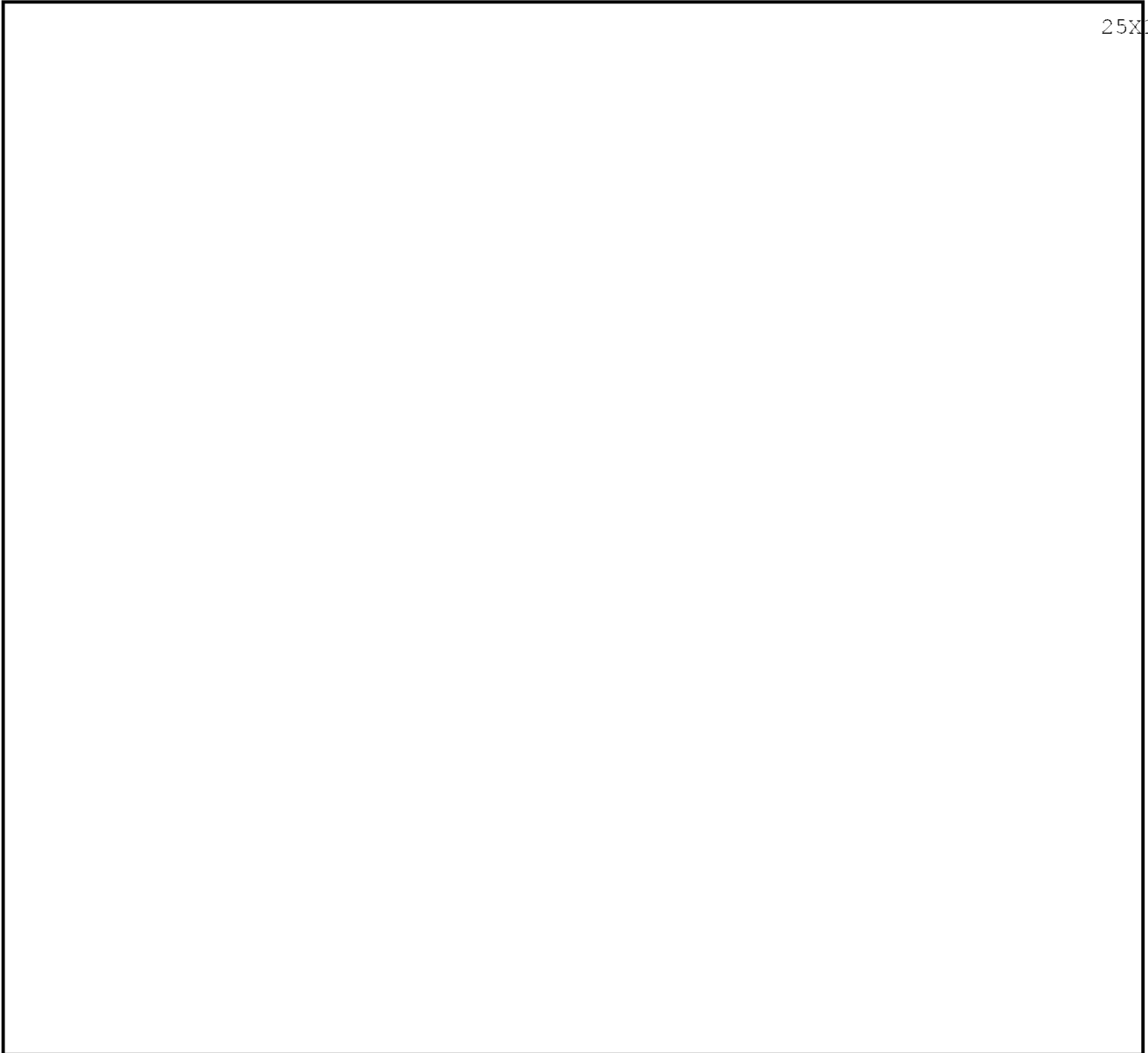
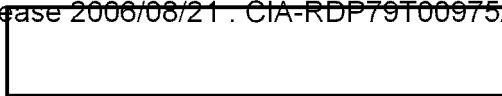
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[REDACTED] The spokesmen for the two sides are to meet Wednesday in New York to try to resolve the postponement question. [REDACTED]

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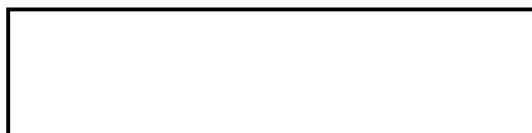
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EC: Triannual Summit

 //EC heads of government are meeting in The Hague today and tomorrow for their triannual summit. One of their objectives is to formulate a Community position for the ongoing Conference on International Economic Cooperation.//



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[] //With momentum building toward a possible postponement of the CIEC ministerial session scheduled for next month, prospects for final agreement on a common position are dimming. Nevertheless, the discussion of North-South issues--particularly the questions of debt relief and a common fund for commodities--is still expected to overshadow consideration of a wide range of other issues.//

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[] //These issues include the economic and monetary situation in Europe, trade relations with Japan, a common fisheries policy, selection of a new EC Commission, and Belgian Prime Minister Tindemans' report on European unity.//

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[] //West Germany has been pushing hard for a wide-ranging discussion of the Community's position in the North-South dialogue, partially as a means of forcing consideration of the real costs to the Nine--such as a reduced capability to provide aid to EC members with failing economies--of meeting developing-country demands.//

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[] //West Germany has traditionally maintained the hardest line among the Nine on concessions for the developing states, although Bonn is reviewing its policies. Implicit in the German approach is the idea that the Community's capability to fund developing-state programs needs to be evaluated in light of an anticipated increase in oil prices. While EC leaders generally agree that the Nine should try to avoid any appearance of linking these issues, the potential economic and political effect of another oil price rise will undoubtedly be a major factor in their deliberations.//

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[] //According to various economic forecasts--including that of the OECD--all EC members are headed for slower growth than anticipated a few months ago; another oil price increase would aggravate their problems. While many members do not fully subscribe to the OECD's pessimism, uncertainty over the development of the current recovery is clearly growing.//

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[] //Some EC members will probably take advantage of the summit to press Chancellor Schmidt to stimulate the West German economy. West Germany--with its low inflation rate, high unemployment, and huge trade surplus--is a natural target for calls to play a leading role in preventing a serious economic slowdown in the coming year.//

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[redacted] //Schmidt will probably try to deflect such pressures by stating that the West German economy already gives signs of resuming an upward momentum that will help its EC partners. The West Germans probably will also point out that funds spent on stimulation would have to be deducted from those used for North-South programs and for aiding weaker members in the Community.//

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[redacted] //In recent weeks, EC officials have increased pressure on Japan to reduce its large trade surplus with the Community as one means of easing the EC's economic plight. The EC and some member states have threatened to impose unilateral restrictions on imports from Japan if the Japanese do not promise remedial action before the summit meeting.//

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[redacted] //In partial response to these pressures, Japanese officials last week approved a number of limited measures intended to restrain exports of Japanese automobiles and specialty steel products to the EC as well as open up Japanese markets to imports of specified EC agricultural and manufactured goods. EC leaders, reflecting their apparent satisfaction with the response, plan to issue a relatively mild declaration simply calling on Japan to continue its efforts to correct the trade imbalance.//

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[redacted] //The summit is expected to name former UK home secretary Roy Jenkins to a four-year term as president of the new EC Commission, which takes office on January 6. Most, if not all, of the new Commission members are also likely to be designated. In addition, the EC leaders will consider a report prepared by UK Prime Minister Callaghan setting out new responsibilities for the Commission.//

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[redacted] //Although the Nine are on record in support of a more active and influential role for the Commission, Jenkins has had only limited success in influencing the selection of the other 12 commissioners, indicating that national interest will continue to influence strongly Commission activities.//

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[redacted] //The UK's six-month fishing agreement with Iceland expires Tuesday night, and this could spur consideration of what arrangements the EC should seek in follow-on negotiations with Iceland. On broader aspects of EC fishery policy,

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[redacted]

much hard bargaining lies ahead before agreement can be reached reconciling UK and Irish demands--including calls for a 50-nautical-mile exclusive fishing zone--with the position of the other member states.//

[redacted] //EC leaders had initially planned to devote most 25X1 of their time this week to a consideration of a report presented by Belgian Prime Minister Tindemans last December on prospects for European unity. Discussion of the report has been side-tracked for most of this year, however, by the need to address more pressing issues, such as direct elections to the European Parliament, economic and monetary difficulties, and the development of a common external fisheries policy.//

[redacted] //While the Nine may approve some minor recommen- 25X1 dations contained in the Tindemans Report, little if any action is expected in more important areas such as economic and monetary union, majority voting and other important institutional reforms, EC-US relations, and the development of a common foreign policy. [redacted] 25X1

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